TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 3294 - SB 3465

February 10, 2010

SUMMARY OF BILL: Increases from 120 to 125 the maximum number of days that a retired employee may return to temporary service during a twelve-month period while continuing to draw Tennessee Consolidated Retirement System (TCRS) benefits.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - $47,000/General Fund/Recurring
$70,300/TCRS/Annual Amortized Amount

Increase Federal Expenditures - $9,500/TCRS/Annual Amortized Amount

Increase Local Expenditures - $27,900/TCRS/Annual Amortized Amount*

Assumptions:

- According to the Department of Human Resources (DOHR), the executive, legislative, and judicial branches hired 158 retired employees on 120-day appointments in FY08-09.
- The number of retired workers hired in subsequent years remains constant.
- According to DOHR, only 44 of the 158 employees worked 800 or more hours during their appointments. Therefore, the number of retired employees who will work the extra five days is estimated to be 44 per year.
- Based on information provided by DOHR, the average wage paid is estimated to be $28.50 per hour.
- There will be an increase to state expenditures resulting from additional wages paid to returning employees for the additional five days of authorized work. Such increase is estimated to be $47,000 per year (44 employees x $28.50 x 37.5 hours = $47,025).
- According to TCRS, this bill will also incentivize some other employees to retire earlier than they would have in the absence of this bill.
- Based on information provided by TCRS, the total lump sum pension liability is estimated to be $1,084,400 ($382,700 for state employees; $701,700 for teachers).
- Annual amortization cost ($107,700) assumes a 20-year lump sum liability ($38,000 for state employees; $69,700 for teachers).
- K-12 teachers reflect a 60 percent – 40 percent ratio between state and local funding.
- Funding ratio for state employee cost is 75 percent state and 25 percent federal.

- The increase to state expenditures applicable to additional retirement benefits is estimated to be $70,300 per year [($38,000 x 75.0%) + ($69,700 x 60.0%) = $70,320].
- The increase to federal expenditures applicable to additional retirement benefits is estimated to be $9,500 per year ($38,000 x 25.0% = $9,500).
- The increase to local government expenditures applicable to additional retirement benefits is estimated to be $27,900 per year ($69,700 x 40.0% = $27,880).

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

James W. White

James W. White, Executive Director

/rnc